



## Iranian Military Sanctioned by U.S. for Terror Links (Update6)

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By Janine Zacharia and Kevin Carmichael



Oct. 25 (Bloomberg) -- The Bush administration accused the Iranian military of supporting terrorism and acted to curb its access to the international financial system, intensifying an effort to prevent Iran from making a nuclear bomb.

Secretary of State Condoleezza Rice, who joined Treasury Secretary **Henry Paulson** in announcing the measures in Washington, said today's steps were designed ``to increase the costs to Iran of its irresponsible behavior."

The officials described the Iranian Revolutionary Guard Corps as involved in proliferation of weapons of mass destruction, especially through ballistic-missile development, and its Quds force as a supporter of terrorists such as Afghanistan's Taliban. The sanctions freeze any U.S. assets of the Iranian military and bar

Americans from doing business with it, putting pressure on foreign companies to cut ties with Iran.

The impact of today's action will be limited in the U.S. because American business ties with the Iranian government or with Iranian banks already are scant. U.S. officials acknowledge this and say their aim is to show governments and foreign banks they would be tainted by doing business with Iranians linked to terrorism or arms proliferation.

The United Nations and the U.S. want Iran to halt uranium enrichment that the West suspects is aimed at developing nuclear weapons. Iran, which has the world's second-largest oil and natural gas reserves, denies its effort has a military goal and says it wants the technology to generate electricity.

### Banks, Military

Rice, addressing the Iranian people directly today, said ``we in the United States have no conflict with you." She said the U.S. had no problem with Iran being able to produce nuclear power, so long as it is for peaceful purposes. The U.S. has supported that position in a UN resolution.

The U.S. financial freeze targets Bank Melli, Iran's largest bank; Bank Mellat; nine companies that the U.S. said are tied to the Iranian military and its leaders; and eight individuals, including General Hosein Salimi, whom the U.S. described as the commander of Iran's air force, and Brigadier General Qasem Soleimani, identified as the Quds force chief.

Iran's Bank Saderat was also sanctioned for what the U.S. described as its support for terrorists. The Treasury said the Iranian government used the bank to funnel money to terror organizations, including Hezbollah, Hamas and the Palestinian Islamic Jihad.

The Revolutionary Guard was targeted in UN Security Council Resolution 1747, passed on March 24 to sanction Iran for failing to obey UN demands to stop uranium enrichment. Among its provisions, the measure asks all member governments to freeze the financial assets of seven commanders of the corps and three aircraft companies it controls.

### Business Interests

The Revolutionary Guard ``is so deeply entrenched in Iran's economy and commercial enterprises, it is increasingly likely that if you are doing business with Iran, you are doing business with" the Guard, Paulson said in a statement.

The Revolutionary Guard Corps controls an engineering and construction company called Khatam-al-Anbia. That firm has been awarded contracts to develop parts of the South Pars natural gas field, the second-largest such field in the world. The company also won a contract to build a pipeline to Pakistan.

Rice said no U.S. citizen or private entity would be allowed to engage in financial transactions with these groups or with the banks or other persons designated today.

#### 'Not Worth the Risk'

The U.S. strategy is aimed at making it more difficult for Iran to gain access to international capital, especially through European banks. "As awareness of Iran's deceptive behavior has grown, many banks around the world have decided as a matter of prudence and integrity that Iran's business is simply not worth the risk," Paulson said. "Reputable institutions do not want to be bankers to this dangerous regime."

The sanctions are a "strategic mistake" that will increase distrust between the two countries, Kazem Jalali, spokesman for the Iranian parliament's foreign affairs and security committee, told Agence France-Presse in Tehran today.

Longstanding U.S. sanctions ban most trade with Iran, "however there was no freeze on U.S. assets of any entities of Iran. This is new," said **Kenneth Katzman**, a specialist in Middle East Affairs at the Congressional Research Service in Washington.

Yet "because there is no trade, it is not likely there are any U.S.-based assets to freeze," Katzman added.

Undersecretary of State **Nicholas Burns** and Treasury Undersecretary **Stuart Levey** couldn't identify the scope -- if any -- of Iranian assets of the entities and individuals designated today.

#### Exerting Pressure

Dave Foley, a spokesman for the State Department's Near Eastern Affairs bureau, said most of the impact "will be on entities outside the United States."

While American officials said they want foreign banks and governments to avoid transactions with Iran, Levey said the U.S. has no intention of pursuing "secondary sanctions" on those that continue to work with the targeted Iranian entities.

**Anthony Cordesman**, an analyst at Washington's **Center for Strategic and International Studies**, said the U.S. actions are likely to increase international confusion about whether the Bush administration plans to deal with Iran militarily or diplomatically.

"It is essentially an American indictment of Iran based on American perceptions with no explanations, no justification and no transparency as to why the United States is taking this action," Cordesman said.

#### Senate Support

The U.S. Senate passed a resolution Sept. 26 urging the Bush administration to designate the Revolutionary Guard as a terrorist organization. Senators **Joe Lieberman**, a Connecticut Independent, and **Jon Kyl**, an Arizona Republican, today applauded the administration's action.

"Far from taking us closer to war with Iran, as some have irresponsibly suggested, these kinds of targeted sanctions represent our best chance to influence Iran's action so as to be able to avoid military action," the senators said in a joint statement today.

Democratic presidential front-runner Hillary Clinton, a Senator from New York, issued a statement saying the new sanctions "strengthen America's diplomatic hand" in dealing with Iran.

Rice expressed frustration yesterday during congressional testimony that a U.S. effort to persuade companies in Europe to stop investing in Iran was making too little progress. She said the "teeth" behind the nuclear diplomacy is "the unwillingness to let Iran use the financial system" to conduct business.

While noting that President **George W. Bush** is "committed to a diplomatic course on Iran," Rice told the House Foreign Affairs Committee that U.S. patience is "not limitless and allies need to know that."

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